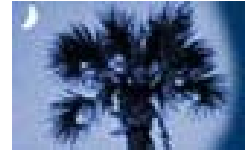


Domicile Information For South Carolina



- Basic Information -

Location:

South Carolina is located on the Mid-Atlantic coast of the United States. It is bordered by North Carolina (N), the Atlantic Ocean (SE), and Georgia (SW).

Accessibility:

South Carolina is served by eight commercial airports, four of which offer international service. South Carolina is crisscrossed by five interstate highways - I-85, I-26, I-77, I-95 and I-20 - that provide excellent east-west and north-south access. and industry have access to a commercial airport within one hour of any location in South Carolina.



Low Country & Resort Islands

Applicable Legislation:

Act 331, signed by Governor Jim Hodges on June 6, 2000 established South Carolina as a captive insurance domicile. The captive industry in South Carolina is governed by South Carolina Code of Laws Title 38. More specifically, 38-90-10 et seq (the Captive Act); 38-10-10 et seq (the Protected Cell Act) and Regulation 69-60 (2000). Risk Retention Groups formed as captives are governed by 15 USC 3901-3906 (Liability Risk Retention Act of 1986).

Number of Captives:

18 as of 09/11/02

Regulatory Agency:

South Carolina Department of Insurance-Alternative Risk Transfer Services

- Regulatory Issues -

Acceptable Insurance Subsidiaries:

Pure or single-parent, association, captive reinsurance company, sponsored captive insurance company, special purpose captive insurance company or industrial insured captive insurance company.

Acceptable Corporate Forms:

Stock, Mutual or Reciprocal

Permitted Business:

A captive insurance company, when permitted by its articles of incorporation or charter, may apply to the director for a license to do any and all insurance, except workers' compensation insurance, authorized by this title; however:

- (1) a pure captive insurance company may not insure any risks other than those of its parent, affiliated companies and/or controlled unaffiliated business;
- (2) an association captive insurance company may not insure any risks other than those of the member organizations of its association and their affiliated companies;
- (3) an industrial insured captive insurance company may not insure any risks other than those of the industrial insureds that comprise the industrial insured group and their affiliated companies;

- (4) in general, a special purpose captive insurance company may only insure the risks of its parent. Notwithstanding any other provisions of this chapter, a special purpose captive insurance company may provide insurance or reinsurance, or both, for risks as approved by the Director;
- (5) a captive insurance company may not provide personal motor vehicle or homeowner's insurance coverage or any component of these coverages;
- (6) a captive insurance company may not accept or cede reinsurance except as provided in Section **38-90-110**.

Direct Insurance Permitted:

All commercial lines except statutory coverages such as Workers' Compensation* and Automobile Liability.

Reinsurance Permitted:

A captive insurance company may provide reinsurance, as authorized in SC Title 38, on risks ceded by any other insurer.

Policy Form and Rate Approval:

Not required

Local Office Requirement:

To conduct insurance business in this State a captive insurance company shall:

- Hold at least one board of directors meeting, or in the case of a reciprocal insurer, a subscriber's advisory committee meeting, each year in this State;
- Maintain its principal place of business in this State, or in the case of a branch captive insurance company, maintain the principal place of business for its branch operations in this State; and
- Appoint a resident registered agent to accept service of process and to otherwise act on its behalf in this State.

Capitalization & Solvency Requirements:

See SC Code 38-90-40 and 38-90-50 for specifics on statutory minimum capital and surplus.

Premium Taxes:

The tax provided for in this section constitutes all taxes collectible under the laws of this State from a captive insurance company, and no other occupation tax or other taxes may be levied or collected from a captive insurance company by the State or a county, city, or municipality within this State, except ad valorem taxes on real and personal property used in the production of income.

Direct Premiums

A captive insurance company shall pay to the director by March 1 of each year, a tax at the rate of four-tenths of one percent on the first twenty million dollars and three-tenths of one percent on the next twenty million dollars and two-tenths of one percent on the next twenty million dollars and seventy-five thousandths of one percent on each dollar thereafter **on the direct premiums** collected or contracted for on policies or contracts of insurance written by the captive insurance company during the year ending December 31 next preceding, after deducting from the direct premiums subject to the tax the amounts paid to policyholders as return premiums which shall include dividends on unabsorbed premiums or premium deposits returned or credited to policyholders.

*Workers Compensation must be Fronted by an admitted insurer

Reinsurance tax

A captive insurance company shall pay to the director by March 1 of each year, a tax at the rate of two hundred and twenty-five thousandths of one percent on the first twenty million dollars of assumed reinsurance premium, and one hundred fifty thousandths percent on the next twenty million dollars and fifty thousandths of one percent on the next twenty million dollars and twenty-five thousandths of one percent of each dollar thereafter. However, no reinsurance tax applies to premiums for risks or portions of risks which are subject to taxation on a direct basis pursuant to subsection (A).

A premium tax is **not** payable in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer under common ownership and control if the transaction is part of a plan to discontinue the operations of the other insurer and if the intent of the parties to the transaction is to renew or maintain business with the captive insurance company.

Minimum Tax

If the aggregate taxes to be paid by a captive insurance company calculated under subsections (A) and (B) amount to less than five thousand dollars in any year, the captive insurance company shall pay a minimum tax of five thousand dollars for that year. However, in the calendar year in which a captive is first licensed, the minimum tax will be prorated on a quarterly basis. For captives licensed in the first quarter, the prorated minimum tax is \$5,000. For captives licensed in the second quarter the prorated minimum tax is \$3,750. For captives licensed in the third quarter the prorated minimum tax is \$2,500. For captives licensed in the fourth quarter, the prorated minimum tax is \$1,250. In the calendar year in which a captive is first licensed, if the aggregate taxes to be paid by a captive insurance company calculated under subsections (A) and (B) amount to less than the minimum tax prorated on a quarterly basis, the captive insurance company shall pay the prorated minimum tax for that corresponding quarter.

In the case of a branch captive insurance company, the tax provided for in this section applies only to the branch business of the company.

A captive reinsurance company shall pay to the department by March first of each year a captive reinsurance tax of five thousand dollars.

Investment Restrictions:

A pure captive insurance company, an industrial insured captive insurance company, and a sponsored captive insurance company are not subject to any restrictions on allowable investments contained in SC Title 38; however, the director may prohibit or limit an investment that threatens the solvency or liquidity of the company.

An association captive insurance company, a sponsored captive insurance company, and an industrial insured captive insurance company insuring the risks of an industrial insured group shall comply with the investment requirements contained in Title 38. Notwithstanding any other provision of this title, the director may approve the use of alternative reliable methods of valuation and rating.

Taxation:

The tax provided for in Section 38-90 (premium taxes, see above) constitutes all taxes collectible under the laws of this State from a captive insurance company, and no other occupation tax or other taxes may be levied or collected from a captive insurance company by the State or a county, city, or municipality within this State, except ad valorem taxes on real and personal property used in the production of income.

- Annual Operating Costs -

Application Fee	\$200
Annual Insurance License Fee	\$300
Audit Fee (Subject to negotiation)	
Legal	
Management Fee	By negotiation
Other Disbursements (i.e. faxes, telexes, long distance calls, etc.)	
Minimum Total	

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